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**STATEMENT OF HONORABLE DUNCAN HUNTER
CHAIRMAN, MILITARY PROCUREMENT SUBCOMMITTEE
HEARING ON DOD MODERNIZATION PLANS**

October 8, 1998

Today marks the last hearing for the subcommittees in the 105th Congress, and it is indeed an important one as we preview the modernization issues that we will encounter in the first defense budget for the 21st century.

Dr. Gansler, when you last appeared before these subcommittees in late February, you had only been in the job for a little more than three months. You outlined for us your perspective as the Senior Acquisition Executive on where you saw the Department headed in providing our forces with the best equipment both within the near future and within the next 10 to 20 years. This morning we need to have you update us on this perspective for us to compare and contrast it with other viewpoints being expressed, especially those of the Department's senior military leaders.

As most everyone in the room knows, the Department's procurement budget, limited by an essentially flat topline, has for the past few years been increased only because of Congressional adds. And despite the fact the Department's 1998 Quadrennial Defense Review (QDR) asserted that "the dividend from procurement reductions has been spent...and modernization needs to rebound," the first post-QDR Future Years Defense Program (FYDP) reduced procurement budget forecasts in the previous FYDP by a cumulative \$16.4 billion over the FY 1999 through FY 2003 period.

According to your previous testimony, Dr. Gansler, this was done to prevent resources migrating from future procurement budgets to pay for increases in operating and support costs. As you put it, "By shifting resources now and implementing the "Revolution in Business Affairs" initiatives, we can significantly reduce the potential for resources migrating in the future and retain a much more stable modernization funding profile in the years to come." We would like to know if you still believe today this is the right course of action, inasmuch as you seem to be out of step with what we heard from the Joint Chiefs in their testimony last week before the Armed Services Committee of the other Body.

In their testimony, each of the Service Chiefs stated that relying upon our present aged equipment at the expense of future modernization is the real readiness problem the Department faces and that now is the time to redress this problem. Members will note that the staff-prepared memo for today's hearing includes a number of quotes from the Chiefs' testimony regarding the need for more modernization funds now, not beyond the end of the current FYDP. Indeed, Dr. Gansler, in your recent speech to the Association of the U.S. Army, you stated that "events of the past few weeks have made it abundantly clear that the future is now if we are to achieve both the Revolution in Military Affairs and the Revolution in Business Affairs to maintain our military superiority into the next decade.

But as we address the what needs to be done NOW, we also must address the assumptions underlying alternative courses of action. For example, Dr. Gansler, you also noted in your recent speech that the dilemma we face right now involves competing demands for limited resources. You stated that with fixed total resources the Department has resorted to 'Robbing Peter to pay Paul'—taking from future investments in modernization to maintain current readiness. Your prescription for breaking out of this so-call "Death Spiral" calls for, among other things:

- Additional base closures;
- Termination of a number of unspecified weapons systems;
- Reduction in the civilian and military workforce; and
- Full implementation of acquisition reforms

in order to reallocate resources to modernization programs. You do not speak to the need for additional funds to alleviate the problem and again seem to be out-of-step with the Joint Chiefs, who last week clearly indicated the need for an increased defense budget, not a reallocation of funds, to address their concerns.

In reference to the need to implement the Revolutions in Military and Business Affairs, you noted in your speech that the transformation will not be an easy one, "since there are many who stand to not have the status-quo upset and few who are willing to fight for the required changes." More on the transformation in a moment, but I would encourage you to apply your logic to your own actions in making a case for increased modernization funding! As General Skibbie notes in his statement:

"Whether the roadmap is based on the QDR or the National Defense Panel (NDP) or variants or combinations thereof, the point remains that additional funds are required for modernization. Both the QDR and the NDP assume that these funds can be generated through savings from base closures, increased outsourcing and privatization, elimination of certain procurements and other actions. It is important to not that these savings have not significantly materialized as assumed by the various studies."

General, I would note that you describe the roadmap just referred to as a "checklist of considerations" for addressing the questions of what should be done in the future and how we are to get there. That's the real purpose of having this hearing, and I am pleased that you will provide some keen observations from industry's viewpoint in your testimony.

Regarding the “transformation” that was mentioned a moment ago, Dr. Krepinevich, I note that you have much to say about the need for a military transformation, noting that it was declared a top priority by the NDP on which you served. We look forward to the intellectual stimulation you have provided in your statement on this transformation and your observations:

- that while there appears to be a consensus among senior national security officials that a such a transformation is needed, it is not yet reflected in our modernization strategy or programs;
- that a modernization strategy that supports military transformation must take into account that transformations typically take a decade and often longer to play out;
- that our current modernization strategy risks committing us to “single point” solutions that assume away uncertainty instead of investing in options that hedge against it;
- that a transformation modernization strategy would place a higher priority on providing a wider range of systems to the “war fighters” but that industry consolidation has made this a difficult proposition; and
- that, to be sure, a transformation modernization strategy will require additional funding.

I would note, however, while you also state that a transformation modernization strategy should take into account the need to create incentives for industry, you have not provided any prescription for doing this—and it is certainly not a point to be overlooked. And, although you further state that additional funding will be required for a transformation modernization strategy, you don’t state how much or when such funding is needed. You estimate that the DOD’s long-term plan, as outlined by the QDR, is likely to exceed assumed funding by over \$25 billion a year during the ten years following the FY 1999-FY 2003 FYDP, but you do not specifically address the years prior to 2003.

Furthermore, I believe you got it partly right when you concluded that Congress needs to ensure that we are buying the right kinds of weapons, at the right time, rather than simply attempting to generate large increases in the procurement. We do need to make sure we are buying the right weapons at the right time, but in my view—and apparently in the view of the Joint Chiefs—we also do need to generate increases in procurement spending.

As I think everyone can see by now, the issues we face are complicated ones, and there is not a unanimity of opinion on how to address them. However, as Dr. Gansler put it so eloquently in his statement today, “We have sometimes disagreed on details, but we have never wavered in our common goal to support our men and women in uniform by making them the best equipped and best sustained fighting force in the world.”